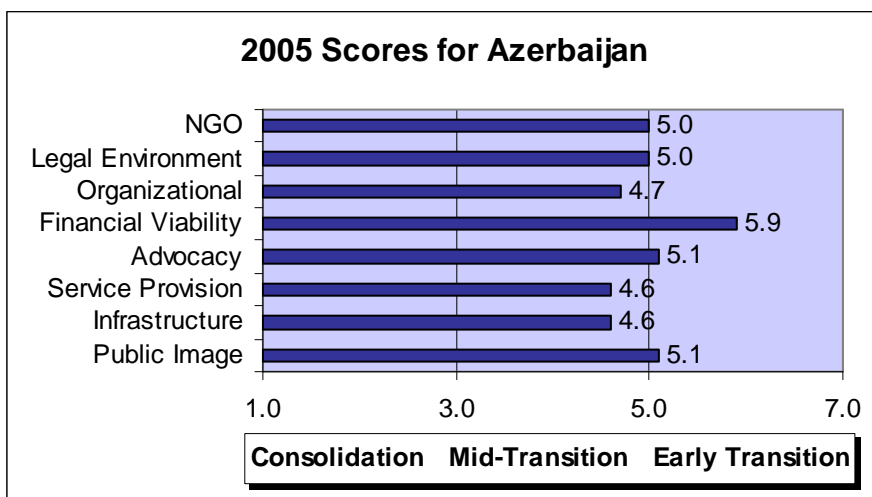


## Azerbaijan



**Capital:** Baku

**Polity:** Republic

**Population:**  
7,961,000

**GDP per capita  
(PPP):** \$4,700

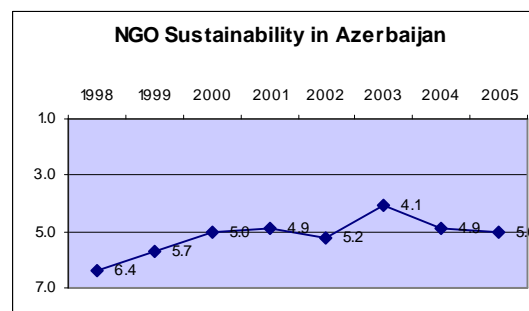
### NGO SUSTAINABILITY 2004: 5.0

While Azerbaijan's economy has improved over the past year, the NGO sector's capacity and overall sustainability have deteriorated. The government continues to mistrust NGOs and aspires to have greater control over the third sector. Despite the 2004 amendments to the Law on State Registration, government officials continue to create impediments that prevent NGOs from registering. Similarly, amendments to the Law on Grants that came into effect in 2003 have failed to prevent government officials from creating new obstacles to financial stability, which now include a requirement that NGOs register all of their grants. Without an independent press or transparent judiciary, NGOs are limited in their ability to defend their rights.

NGOs continue to experience difficulties in securing local financing and must rely on foreign donors. Many in the executive branch are wary of NGOs, and consider them mechanisms by which citizens misappropriate public funds or grants.

Government officials have created NGOs that receive preferences in the distribution of government grants and other public funding. NGOs received some limited tax relief this year when a Presidential Decree lowered the amount to be paid into the Social Insurance

Fund from 27% to 22%. In addition, a tax holiday through 2007 exempts all organizations that receive grants for social-sector projects from paying the Social Insurance Tax, though they are still required to pay a 14% income tax.



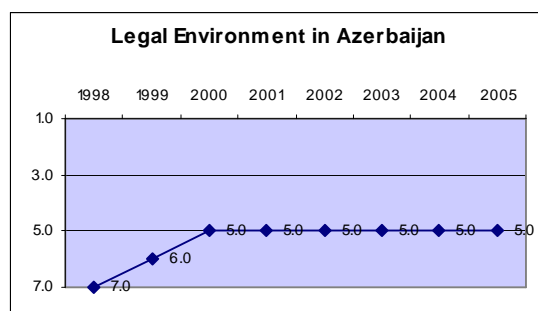
According to data released by the NGO-Forum, the number of NGOs in Azerbaijan has increased. The NGO Forum also reports that some progress has been made in registering organizations; as of November 2005 the NGO sector consists of approximately 3000 organizations, 60% of which are registered. Of the 3000 NGOs, only 600 or so are active and visible. NGOs are particularly visible in the areas of humanitarian relief, environmental protection, gender and youth services, human rights, civic and legal education, and economic development. The international donor community's smaller presence and the

reprioritization of its programs have had an adverse impact on the financial viability of many NGOs. Only a few organizations have successfully developed strong relations with the remaining international donors.

Overall, the NGO sector is negatively affected by the same issues of paternalism, nepotism,

## LEGAL ENVIRONMENT: 5.0

The NGO Law of June 2000, the Grants Law of 1998, the Tax Code of 2000, the Civil Code of 1999, the Law on State Registration of Legal Entities, the State Register of 2004, and the regulations on NGO Registration are the key laws and regulations that govern NGO activities. In 2003, amendments to the Grants Law created a new requirement that NGOs must register all grants with the Ministry of Justice, as well as administrative penalties for noncompliance. NGOs fear that this new requirement will allow the government to assert greater control over the NGO sector and create excessive bureaucracy.



NGO representatives generally agree that the legal framework, which was adopted under pressure from the European Council and the European Commission on Human Rights, is supportive on paper. They also agree that the legal framework is not implemented effectively and fails to protect NGOs from corrupt government officials. The mechanisms necessary to ensure equal and just application of the law do not yet exist. The courts are not independent from the executive, and government officials allegedly instruct judges how to decide cases to protect their personal political interests. In one example, the judiciary has authority over the dissolution of an organization; but the executive branch's

and corruption that plague the whole of society. The ability of NGOs to develop civil society is limited by pressures from government authorities, absence of a developed market economy, a negative public image of NGOs, lack of altruistic ideas and volunteerism, and the amateur nature of some organizations.

influence over the judiciary renders NGOs defenseless against the interests of individual officials. The legal framework also fails to clearly define the activities in which NGOs are permitted, or prohibited, to engage. The lack of clarity provides government officials with discretion to interfere with an organization's activities. The provision banning participation in political activities, for example, is vague and allows government officials to apply the provision in a broad and inconsistent manner, creating a chilling effect on all NGO advocacy efforts.

Local authorities often have a sense of being above the law and harass NGOs in a variety of ways. NGOs are also subject to abuse from the control of the central government and often have difficulties in registering. Some organizations, especially those involved with human rights, do not register and are limited to receiving grants from foreign donors operating outside the country, as it is prohibited for donors with an in-country presence to provide grants to unregistered organizations.

A small number of local lawyers are trained in NGO law, but the majority of them work for non-commercial organizations based out of Baku. Access to legal council outside the capital is inconsistent.

Tax reforms have provided some relief for NGOs. The law used to require that organizations pay 27% of their payrolls into the Social Insurance Fund. In January 2005, a Presidential Decree reduced the tax to 22% and created an exemption for NGOs that receive grants for social programs. Those that take the exemptions are still subject to an income tax of 14%, and an additional 3% is deducted from all

salaries for the Social Insurance Fund. Azerbaijan has signed bilateral agreements that provide international donors such as USAID and other multilateral aid agencies with tax privileges. NGOs and charitable organizations have the right to engage in economic activity,

but their income is taxed as if they were commercial organizations. The high taxation levels and the absence of a law on philanthropy are major obstacles to developing local philanthropy.

## ORGANIZATIONAL CAPACITY: 4.7

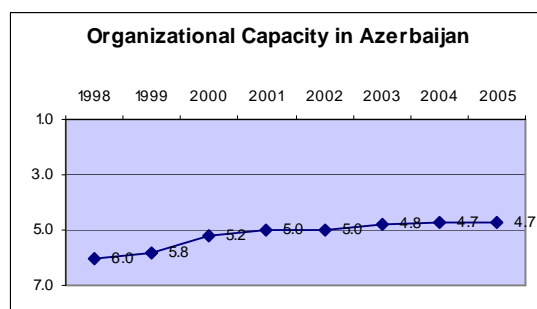
NGOs often develop their activities according to donor priorities and not those of their constituents. Donors, however, are not always aware of a community's needs, which may limit an organization's ability to affect sustainable change in a community. Organizations often operate outside their missions, which are generally clearly defined, in order to access new grants and funding.

Most organizations now only plan short-term activities since NGO leaders often lack sufficient training in strategic planning and management, or experience with public relations. While on paper, most organizations clearly distinguish their

unclear and management often falls under the direction of one or two people. Organizations are generally open and transparent about their use of funds with their donors, but do not provide information to local contributors and volunteers.

The NGO community has yet to significantly develop the coalitions and long-term programs necessary to engage in collective actions.

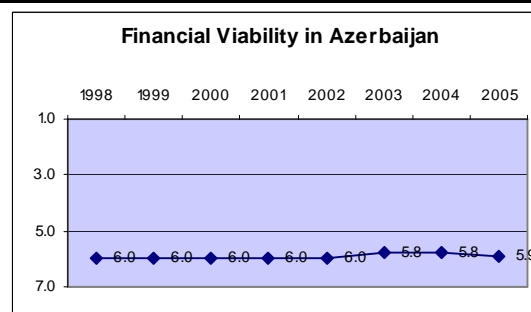
Insufficient funding has hampered the organizational capacity of many organizations, preventing NGOs from hiring full-time, qualified professionals. NGOs generally hire according to the demands and availability of current projects and grants. Similarly, volunteerism remains undeveloped and underutilized. NGOs purchase most of their office equipment with grant funding. Over the past two years, many donors have stopped providing funding for equipment, and as a result, the majority of organizations use outdated technology. Organizations in Baku have better technology and equipment than NGOs in the regions. Though financing is a problem, the most serious barriers are the shortage of electricity and the unstable infrastructure that limits the use of the internet and other forms of communication.



Boards of Directors from other management structures, in practice the division remains

## FINANCIAL VIABILITY: 5.9

Though the government has greater economic resources, an insignificant number of NGOs receive local support. Government officials often create organizations to access government funding. Such organizations generally lack transparency and conduct their activities without the public's knowledge, permitting abuse and misuse of government funds. Foreign donors also fail to monitor how grantees use their funds and implement projects.

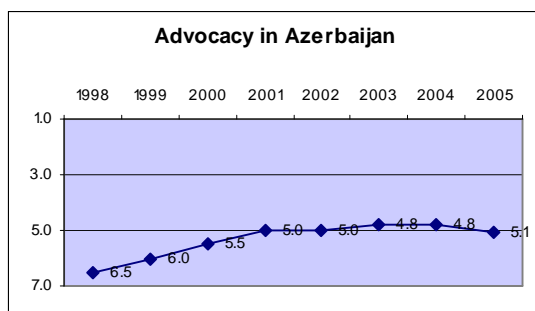


Organizations receive limited non-financial support from local groups and infrequently benefit from volunteerism.

This is the result of the general lack of altruism and charity, which stems in part from the poor economic conditions that force most individuals to focus on their own well-being. Most organizations are only active when they receive a grant operating in a “standby” mode with minimal staff between grants. For most organizations, an independent audit is unaffordable. In an effort to build stronger relations with the donor community, organizations are generally amenable to being audited.

## ADVOCACY: 5.1

As political tensions rose in the buildup to the November 2005 parliamentary elections, government authorities tried to limit further the role of NGOs. These efforts have complicated the execution of large-scale advocacy campaigns and public discourse of election issues. NGOs generally understand the importance of creating coalitions, and over the past year they have carried out a number of campaigns, some of which were successful. In one campaign, local NGOs partnered with international organizations like the International Association of American Lawyers and OSCE to amend the Law on Legal Professionals and the State Register.



Despite these efforts, the number of coalitions remains limited. Personal ambition, narrow views on social problems, a lack of collective thinking and decision making by NGO leaders all interfere with NGOs forming productive coalitions. Government officials have exploited

Since foreign donors have decreased their presence over the past two years, the financial viability of NGOs has begun to deteriorate. Donors that continue to have an in-country presence are focusing more on the regions and smaller organizations, and away from the capital. As a result, smaller organizations and those in the regions appear stronger than those in the capital.

In the absence of a law to promote philanthropy, NGO efforts to provide services and aid have been reduced. Nevertheless, NGOs continue to provide for groups such as invalids and refugees. Few organizations experience success with economic activities, and few collect membership fees.

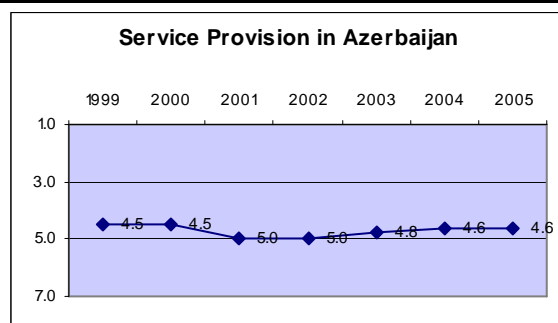
this lack of cohesion by seeking to divide and control the sector further. While the government has partnered with NGOs on a few projects, the organizations involved are those created by government officials and parliamentarians.

Though NGOs made efforts to monitor the November 2005 parliamentary elections, government officials prohibited all organizations that receive more than 30% of their funding from foreign donors from engaging in monitoring activities. As a result, the only organizations that qualified were those controlled by government officials.

The mechanisms necessary for NGOs to participate in the political process do not yet exist, and therefore, NGOs generally do not engage in lobbying activities. In one exception, NGOs helped to shape the law concerning aid to diabetics. Public debate in which NGOs express their views and criticize the government is also limited by the lack of open and free public space.

Overall, advocacy efforts deteriorated over the past year. The two primary reasons are the buildup to the Parliamentary elections and interference by government officials, and the overall strengthening of the government institutions that seek to control NGOs.

## SERVICE PROVISION: 4.6



The NGO sector is able to provide a variety of quality services, including humanitarian relief, economic development, defense of human rights, health, and basic public services. The services that NGOs offer, however, do not always reflect the needs and priorities of constituents and communities, rather those of their donors. A limited number of local

organizations offer quality services that meet the needs and priorities of their constituents.

Many NGO leaders believe that their nonprofit status and the difficult economic situation of their clientele make it impossible to charge fees. Some organizations, however, are able to charge fees for their services. One organization, for example, covers some of its expenses by charging a fee for its English and computer classes.

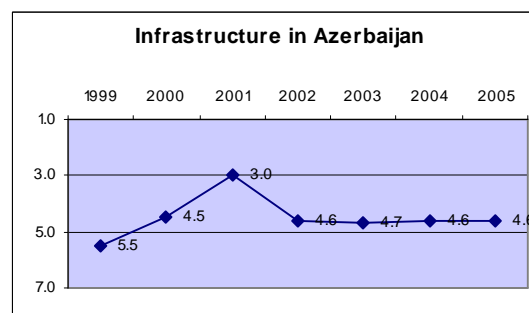
The State does not appear interested in strengthening NGOs. Government officials often create barriers that prohibit the development of service organizations. In only a few cases have government institutions approached NGOs and offered them grants or contracts to provide social services.

## INFRASTRUCTURE: 4.6

NGO resource centers are located throughout Azerbaijan's provinces, including Ganja, Lenjoran, Khachmaz, Sheki, and others. Organizations no longer have adequate access to high-quality resource centers such as the Institute for Soviet and American Relations (ISAR), a U.S. based organization formed in 1983 that until recently operated in Azerbaijan. Despite financial support, the majority of resource centers is only able to provide basic services such as libraries, computers, and photocopying; others are able to provide other information services and training. Only a few centers located in the capital provide legal assistance, information on donor organizations, or tax advice. Centers such as the Resource Center of

Economic Reforms at the Ministry of Economic Development are well equipped and provide quality services. Few resource centers are able to generate substantial income by providing their services. Domestic organizations and resource centers do not provide or even redistribute grants with generally only international donors serving as grant-makers.

NGOs benefit from an advanced information exchange network that covers the majority of Azerbaijan. In addition to Azerweb ([www.azerweb.com](http://www.azerweb.com)), a popular online resource funded by the Open Society Institute, and the Society of Human Research ([www.ngo-az.org](http://www.ngo-az.org)), many credible online resources are now available; they include [www.ngoforum.az](http://www.ngoforum.az), [www.alumni.az](http://www.alumni.az), and [www.3-cusektor.org](http://www.3-cusektor.org). These organizations provide information on vacancies and trainings, and create a virtual arena for open debates and exchanges of views.

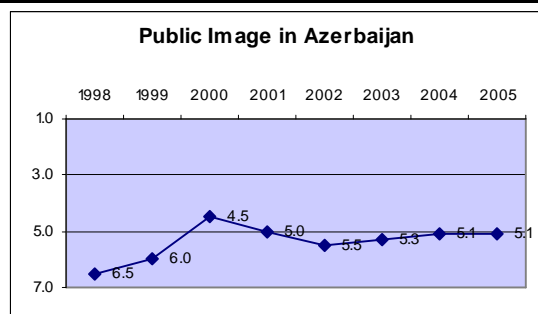


Skilled trainers, including those that offer training in NGO management, are more readily available in Baku than in the regions. Specialized training on topics such as strategic management

or fundraising is generally unavailable in the provinces. While information is available in the Azeri language, translations of materials on topics such as human rights are frequently of poor quality. Training programs are now outdated and fail match their audiences' growing educational capacity.

Inter-sectoral partnerships with the government and local businesses are rare. NGOs generally form better partnerships with mass media companies.

## PUBLIC IMAGE: 5.1



The press covers NGO activities in a variety of ways. Newspapers such as Zerkalo and Ganjabasar generally have a positive view of the NGO community and regularly publish information on its activities. Some in the NGO community, however, are of the opinion that published materials often lack professionalism or are used for malicious ends such as blackmail. NGO relations with radio and television remain underdeveloped. Generally, local media is indifferent to the NGO sector and does not distinguish public service announcements from commercial advertisements. Overall, the press does not adequately depict the role of NGOs in the development of a civil society.

The population of Azerbaijan has a poor knowledge and a generally negative perception of NGO activities, often associating them with political opposition. This perspective is in many respects due to government officials,

particularly those in the regions. Government officials often consider the third sector a threat to their economic and political power, and express their discontent publicly.

The business community and government officials at the local and national levels have a rather ambivalent perception of NGOs. Their opinions vary from region to region, as well as the area of expertise, and at times the personalities involved. In some instances, officials, especially from the central government, consider the NGO sector a community resource or at least a source of expertise and credible information. Unfortunately, this perception is often marked by jealousy and obstructionism, particularly towards human rights organizations.

Some organizations have adopted strategies to strengthen relations with the press so as to improve their public image, though the majority of organizations still lack the skills, finances and experience to do so. NGOs generally employ print media such as brochures and press releases, though their success is marginal.

The NGO community has not adopted an ethical code, and organizations are not fully transparent and do not publish annual reports.